

~~1492~~ No. 4943

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

1486

RIP VAN WINKLE WALL BED Co. (a corporation),

*Appellant,*

vs.

VERNE L. HOLMES, GENE C. HOLMES and BONDORRA HOLMES (a co-partnership doing business under the firm name and style of Holmes Bed Manufacturing Company), MARSHALL & STEARNS COMPANY (a corporation) and RUTH B. ANDERSON,

*Appellees.*

BRIEF FOR APPELLANT.

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## Subject Index


	Page
Parties to this suit.....	2
The invention in issue.....	3
Defendant threatened with suit.....	3
Motive for filing this suit.....	4
The defenses .....	7
I. Defendant a licensee .....	7
Assigned right to royalties only.....	11
Assistance of equity court required.....	20
Jurisdiction of this court.....	23
II. Plaintiffs cannot maintain suit.....	23
Non-exclusive licensee cannot sue .....	25
Applying the rule to the facts.....	28
Sub-licensee cannot maintain suit.....	30
Mrs. Anderson cannot maintain this suit.....	31
Agreement free from doubt .....	33
III. "Ideal" bed does not infringe.....	39
The rule of law invoked .....	42
The prior art .....	44
The James patent No. 825,840 exhibit "G".....	48
The description of the patent.....	53
The claim in suit .....	56
No royalty paid on "Ideal".....	62
Conclusion .....	63

### ILLUSTRATIONS.

Anderson and Ideal wall beds.....	38
James and Anderson wall bells.....	49

### APPENDIX

Agreement between Mrs. Anderson and defendant termed the first agreement .....	i
Agreement between Mrs. Anderson and Holmes termed second agreement (Exhibit N).....	iv
Agreement between Holmes and Marshall & Stearns (Exhibit 21) .....	viii



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## BRIEF FOR APPELLANT.

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This is an appeal from an interlocutory decree made and entered by the District Court of the United States for the Northern District of California, Hon. Frank H. Kerrigan presiding.

The bill of complaint alleges infringement of United States Letters Patent No. 1,074,592 issued to Ruth B. Anderson, of San Diego, California, on September 30, 1913, and entitled "Wall Bed". After a trial on the merits an interlocutory decree was entered in the usual form holding the patent valid and infringed, granting an injunction, and referring the

case to a Master for an accounting. No opinion was filed by the District Judge, the order being that a decree should be entered in favor of the plaintiffs as prayed.

**Parties to This Suit.**

The bill of complaint alleges that the patent in suit issued to plaintiff Ruth B. Anderson; that Ruth B. Anderson granted to plaintiffs Verne L. Holmes, Gene C. Holmes and Bondorra Holmes, a co-partnership, an exclusive license under said patent throughout the United States; and that the plaintiffs Holmes granted to plaintiff Marshall & Stearns Company an exclusive license for certain counties in Northern California. We therefore have, according to the bill of complaint, the owner of a patent, the exclusive licensee for the United States and the exclusive sub-licensee for Northern California, as parties plaintiff to the suit.

This suit, however, has been instigated by plaintiff Marshall & Stearns Company, in accordance with the terms of a certain agreement in evidence as Plaintiffs' Exhibit 21, which provides that said plaintiff shall pay the entire cost thereof. Ruth B. Anderson, the owner of the patent is merely a nominal plaintiff and is not personally represented by counsel.

For convenience the appellees herein will be referred to as plaintiffs; Verne L. Holmes, Gene C. Holmes and Bondorra Holmes, a co-partnership, will be referred to as Holmes; Marshall & Stearns Company as Marshall & Stearns; and Ruth B. Anderson as Mrs. Anderson.

### **The Invention in Issue.**

The patent in suit is a comparatively simple one. It relates to wall beds or folding beds adapted to be used in apartment houses, hotels and other dwellings where a maximum of accommodation is required in a minimum of space. The bed itself, when not in use, is concealed in a wall recess one side of which is closed by double doors, each door adapted to close approximately one-half of said opening. One of these doors, more properly termed a panel, is centrally pivoted and the other door is side hinged. The bed is mounted on the centrally pivoted panel so that when the bed is in the recess it is approximately in the center of the opening and behind both the panel and door. When the bed is in the room, however, it is in front of only the centrally pivoted panel and extends along the wall for approximately one-half its width. It will thus be seen that when the bed is in the room a passageway is provided into or through the recess, which passageway in width is approximately one-half of the entire opening. On the other hand when the bed is in the recess no such passageway is provided. A study of the patent in suit, Exhibit 1 and an examination of defendant's model of plaintiffs' bed and mounting, Exhibit "O", will make this structure and mode of operation clear.

### **Defendant Threatened With Suit.**

The defendant is a corporation having its principal place of business in the City of Oakland, California. It was incorporated on June 10, 1919, from a very small beginning and commenced manufacturing and

selling wall beds. Nearly a year after its incorporation, and under date of May 14, 1920, it received a letter from Mrs. Anderson, one of the plaintiffs herein, calling attention for the first time to the Anderson patent here in suit, and threatening the defendant with an infringement suit.

The defendant at that time had small assets, was in business only a short time and a suit for patent infringement would have ruined its credit and business. After giving the matter some consideration, but without consulting a patent attorney, it decided to obtain a license, if possible, under said Anderson patent. An exclusive license for Northern California, Oregon and Washington was granted to the defendant corporation on December 13, 1920, by Mrs. Ruth B. Anderson and for a period of approximately four years and nine months, according to the theory of the plaintiffs in this case, the defendant Rip Van Winkle Wall Bed Co., enjoyed an exclusive license in this territory under the Anderson patent, paying a royalty of \$1.00 per bed for each bed manufactured and sold. During this time defendant built up a large and flourishing business in the manufacture and sale of wall beds.

#### **Motive for Filing This Suit.**

On July 18, 1923, and about two and one-half years after the date of said license, plaintiff herein Marshall & Stearns Co., a competitive wall bed manufacturing concern, joining with the Murphy Wall Bed Co., filed a suit against defendant Rip Van Winkle Wall Bed Co., for infringement of the Murphy Reissue Patent No. 13,428 and obtained a preliminary injunction. On



appeal however, this court dissolved the injunction and ordered the suit dismissed. The opinion by Judge Morrow is published in 1 Fed. (2nd) 673. Certiorari to the Supreme Court was denied and on February 21, 1925, the final decree dismissing the case was signed and entered.

Plaintiff Marshall & Stearns, on March 9, 1925, *sixteen days\** after the entry of the final decree, and through manipulations not disclosed in this record, obtained a purported cancellation of the defendant's license under the patent here in suit, and on the same day had *itself substituted* for defendant as the alleged exclusive licensee for Northern California under the patent. No reason whatever was assigned in the notice of revocation (Plaintiffs' Exhibit 3, Record page 38). Shortly afterwards this suit was commenced by Marshall & Stearns under the terms of the agreement previously referred to, and that concern is once more at the throat of defendant, seeking to exterminate it as a business competitor.

If this were an ordinary action at law we would hesitate to lay stress on this particular phase of the controversy. In an equity proceeding, however, it must appeal to the conscience of a Chancellor. Here is a plaintiff, Marshall & Stearns, first endeavoring to drive out defendant as a business competitor by bringing suit for the infringement of the Murphy reissue patent. Finding itself blocked in this direction and knowing that defendant was a licensee under the Anderson patent, it deliberately, and sixteen days

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\*Italics throughout this brief may be considered as having been made by counsel.

after the termination of the first infringement suit, secured a purported cancellation of the defendant's license under the Anderson patent and attempted to have itself substituted for defendant as the exclusive licensee under said patent in the territory formerly licensed to defendant Rip Van Winkle Wall Bed Co. It then at its own initiative and expense, joined with it certain other plaintiffs and brought this infringement suit in a second endeavor to harrass and annoy defendant and drive it out of the wall bed field in Northern California.

Can anyone conceive of a more unjust and inequitable business trick than that played on this defendant by Marshall & Stearns, now presented to this court under the guise of a patent infringement suit. The real motive is apparent. Marshall & Stearns and defendant Rip Van Winkle Wall Bed Co., are the two largest firms selling wall beds in San Francisco and Northern California. If this suit is successful Marshall & Stearns will virtually eliminate defendant as a business competitor and secure to itself a monopoly of the sale of wall beds in this territory. It will be able to dictate the price the public should pay. In its essence this is not a patent infringement suit at all.

The equities which usually exist in favor of a plaintiff who as an inventor has contributed to the comfort or happiness of the human race are wholly lacking. Here the defendant tried to do the honorable thing when confronted with the alleged infringement of a patent. It obtained a license and manufactured and sold wall beds under the license for many years. If

the public, in this territory, has been benefited by the Anderson invention it was the defendant that made it possible. Any interest of Marshall & Stearns in the invention only accrued after it had been successfully exploited for many years by the defendant.

### **The Defenses.**

It is the contention of the defendant that Marshall & Stearns has been wholly unsuccessful in accomplishing its desired object and that this suit should be dismissed. The primary defenses in the case are:

I. That defendant is still a licensee for the reason that its license has not been properly revoked. (Paragraph 14 of the answer.)

II. That plaintiffs have no right or title to maintain this suit for the reason that Holmes and Marshall & Stearns have only a simple non-exclusive license. (Paragraph 15 of the answer.)

III. That the "Ideal" type of bed, manufactured and sold by defendant is not an infringement of the patent in suit. (Paragraph 1 of the answer and the general issue.)

These defenses will now be separately considered.

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### I.

#### **DEFENDANT A LICENSEE.**

On December 13, 1920, Mrs. Anderson, the owner of the patent herein sued on, gave defendant an exclusive license thereunder, to manufacture and sell wall beds in the States of California (approximately

North of Tehachapi), Oregon, Washington and Idaho. This license, in order to distinguish it from a later license given by Mrs. Anderson to Holmes will be referred to as the *first* agreement. It is in writing and is in evidence in this case. For convenience it is printed on page i of the appendix of this brief.

*First Agreement.* The important provisions therein are:

(a) Mrs. Anderson gives defendant an exclusive license in a specified territory.

(b) Defendant is to pay a royalty of one dollar per bed.

(c) Defendant is to use all reasonable efforts to introduce the particular wall bed and push the sale ahead of all other beds it is marketing.

(d) Defendant cannot assign the license without written consent of Mrs. Anderson.

(e) The license can be revoked by *either party thereto* six months after written notice of revocation shall have been given by either of said parties to the other.

It is this latter provision (e), which is most important to the present consideration. Mrs. Anderson has never given defendant a notice of revocation of any kind. Defendant has never given Mrs. Anderson a notice of revocation. As far as this record discloses, both Mrs. Anderson and defendant still consider the license as valid and existing. It was Holmes, a stranger to said agreement, who gave a written notice of revocation, in which no reason for revoking

the license was given. The notice, in evidence as Plaintiff's Exhibit 3, is as follows:

"March 9, 1925.

"Rip Van Winkle Wall Bed Co., a Corporation,  
Oakland, Calif.

"Gentlemen:

"You will please take notice, that the undersigned, as assignees of Ruth B. Anderson, hereby revoke that certain license agreement executed by Ruth B. Anderson to Rip Van Winkle Wall Bed Company, a corporation, under date the 13th day of December, 1920, and that this is the notice provided to be given in the said agreement, and that at the expiration of six months from and after the service of this notice the said license agreement will be revoked by reason of this notice and in accordance with the provisions of said license agreement.

HOLMES BED MANUFACTURING Co.,  
By GENE C. HOLMES."

The question presented is whether or not this notice of revocation is a compliance with the provisions of the *first* agreement subdivision (e) above and cancelled the license to defendant. It is defendant's contention that it is not such a compliance, that defendant still is a licensee under the patent sued on and that the bill of complaint must therefore be dismissed. (*Hopkins on Patents*, page 458 citing cases.)

The alleged right of Holmes to revoke the license to defendant is based upon a later agreement between Mrs. Anderson and Holmes, dated April 15, 1921, or approximately four months after the license to defendant. It will be referred to as the *second* agreement and for convenience has been printed on page iv of the appendix to this brief.

*Second Agreement.* The important provisions therein are:

(a) Mrs. Anderson agrees to sell the patent here in suit (and also patent to James No. 825,840), to Holmes, payments therefore to be made in annual installments, the last one due on January 1, 1930.

(b) An executed assignment by Mrs. Anderson, of the patent in suit, to be placed in escrow in the Citizens Savings Bank of San Diego, and such assignment is presumably now there, pending the payment of the last installment by Holmes on January 1, 1930, whereupon said assignment is to be delivered to Holmes and then recorded in the United States Patent Office.

(c) In case of default of installment payments by Holmes, the agreement can be terminated and all moneys theretofore paid by Holmes are forfeited and Mrs. Anderson shall retain them as liquidated damages.

(d) During the term of the agreement or sooner termination by default Holmes has a *simple non-exclusive license* to make and sell wall beds in an undefined territory.

(e) It provides that all agreements previously made by Mrs. Anderson in respect to the patent should become the property of Holmes.

The agreement is not a sale or assignment of the patent in suit to Holmes. It is merely an agreement to sell and assign at a future date on certain conditions and if the conditions are not fulfilled the agreement can be terminated and the patent continues to

remain the sole property of Mrs. Anderson. Coupled with this agreement is a simple, non-exclusive license to Holmes to practice the invention during the life of the agreement. The agreement is also subject to any previous licenses given by Mrs. Anderson, and particularly the one given to defendant, but does not affect those licenses. The agreement does not deprive Mrs. Anderson from issuing further licenses to other persons during the term of such agreement.

It was under the provision designated hereinbefore as (e), that the *first* agreement was assigned to Holmes.

Therefore, in order to determine whether or not the notice of revocation, sent by Holmes to defendant, was a sufficient compliance with the terms of the *first* agreement, we must first ascertain if Mrs. Anderson did or could assign the power of revocation to Holmes without also assigning to Holmes at the same time the title to the patent itself. In other words, does the *second* agreement place Holmes in the shoes of Mrs. Anderson for the purpose of revoking the defendant's license at once, even though the title of the patent under which defendant was licensed remains in Mrs. Anderson for many years to come?

#### **Assigned Right to Royalties Only.**

Defendant's contention is that by the *second* agreement Mrs. Anderson merely assigned to Holmes the right to collect future royalties of one dollar per bed from defendant, and that it did not empower Holmes to send the notice of revocation of defendant's license. Had Mrs. Anderson assigned the title to the patent

to Holmes, then Holmes being the owner of the patent and also the holder of the license, could possibly revoke defendant's license. But that is not the present case. Here Mrs. Anderson now owns the patent sued on and the title thereto only vests in Holmes on January 1, 1930.

The reasons for contending that Mrs. Anderson merely transferred to Holmes the right to collect royalties from defendant and not the power of revoking the agreement may be summed up as follows:

1. The *first* agreement provides that it:

“may be revoked by either party hereto six months after written notice of revocation shall have been given to the other party by either of said parties”.

According to the expressed terms of the agreement the revocation could be made only by either party “hereto”, namely, Mrs. Anderson or defendant. The language is used advisedly and either party “hereto” does not and cannot be interpreted to mean a third party, not contemplated by or a party to the agreement and for whose benefit the agreement was not made. It means that Mrs. Anderson the licensor, and defendant the licensee, are the only parties who can revoke the agreement and no right or power which Mrs. Anderson may have attempted to grant to Holmes under the *second* agreement can in any way affect or modify defendant's previous right to a strict interpretation of this provision of the *first* agreement.

2. The interpretation of a paragraph in an agreement which provides for a forfeiture must be strictly construed in favor of the party whose right would



be forfeited. In *Atkins v. Parke*, 61 Fed. 953, 958, a clause in an assignment, of a patent provided that if the assignee failed to make certain statements and payments when they became due, the assignor had the right, by giving notice, to cancel the exclusive license and grant conferred. The court held that:

“This is a clause providing for the forfeiture of title, and the condition upon which the forfeiture is to accrue must, of course, be strictly construed in favor of the assignee.”

The *California Civil Code*, Section 1442 is as follows:

“A condition involving a forfeiture must be strictly interpreted against the party for whose benefit it is created.”

The notice of revocation was not given for benefit of defendant. It was for the benefit of Marshall & Stearns. The result sought is a forfeiture of defendant's license. The terms of the revocation paragraph should be strictly interpreted in favor of defendant and by such an interpretation only Mrs. Anderson or defendant could give the notice of revocation. It is said in *Christain v. First National Bank*, 155 Fed. 705, 709:

“The language of the agreement is that of the plaintiff and his co-depositors and, if there be any doubt as to its true meaning, it is both just and reasonable that it should be construed most strongly against them.”

The same rule is set forth in *Lock Joint Pipe Co. v. Melber*, 234 Fed. 319.

3. A licensee under a patent obtains only immunity from a suit against him by the owner of the patent. This was the right acquired by defendant from Mrs. Anderson at the time the *first* agreement was executed. This principle of patent law cannot be disputed. In *Webster Electric v. Podlesak*, 255 Fed. 907 at page 910, it is said:

“A patent conveys to the patentee only a negative right of exclusion, not the natural original right to make, use, and sell the device covered by it. A licensee by the license obtains only immunity from an injunction suit brought against him by the patentee or owner. Paper Bag Case, 210 U. S. 405; *Hartman v. John D. Park & Sons*, 145 Fed. 358; *C. & A. Ry. Co. v. Pressed Steel Car Co.*, 243 Fed. 883.”

In *De Forrest Radio Telephone & Telegraph Co. v. Radio Corporation of America*, 9 Fed. (2nd) 150, a very recent case, the court holds as follows:

“\* \* \* the term ‘license’ may here be defined as a permission to make, use and/or sell articles embodying the invention, or a transfer which does not effect the monopoly of the patent otherwise than by estopping the licensor from exercising its prohibitory powers in derogation of the privileges conferred by him upon the licensee. *Robinson on Patents*, Section 806.”

The same rule is set forth in *Victory Bottle Capping Co. v. O. & J. Machine Co.*, 280 Fed. 753.

In effect, defendant agreed to pay to Mrs. Anderson, the owner of the patent, a royalty in order to secure immunity from suit. Mrs. Anderson was the only one to grant such immunity from suit and by a proper interpretation of the agreements here in issue,

Mrs. Anderson who is the owner of the patent, is still the only party who can grant defendant immunity from suit. When therefore Mrs. Anderson assigned and transferred to Holmes the defendant's former license she did not and could not assign her covenant and responsibility to hold defendant immune from suit as long as defendant gave her the consideration provided by the license.

Holmes could not be substituted for Mrs. Anderson as the licensor, because Holmes could not assume the role of a licensor while the title to the patent remained in Mrs. Anderson. It is repugnant to the very nature of a license agreement to suppose it possible, in this case, for a licensor to assign a license agreement unless such licensor at the same time transfers the title and ownership to the patent.

It is elementary law that the burden and responsibility of a contract can never be assigned without the consent of the other party. This provision is also found in Section 1457 of the Civil Code of California.

If Mrs. Anderson therefore could not assign her responsibilities yet could assign her right to collect royalties what then becomes of the paragraph of the agreement which enables a revocation by either party thereto. This may be a detriment or a benefit to Mrs. Anderson depending upon whether defendant or Mrs. Anderson revoked the agreement. Holmes took the assignment of the right to collect royalties with the full knowledge that the license could, in a proper manner, be revoked by defendant. The revocation paragraph was either assigned by Mrs. Anderson to

Holmes at the time the *second* agreement was made or it has not been assigned at all. Future events cannot determine it.

Mrs. Anderson under the *second* agreement, assigned to Holmes something less than her entire interest in the *first* agreement. She retained the burdens and responsibilities under the *first* agreement which she did not and could not assign to Holmes.

But Mrs. Anderson could assign her right to collect royalties from defendant. In this connection *Walker on Patents*, Section 310, says in part:

“And the royalties payable to a licensor are assignable by him; and the assignee’s rights to those royalties follow the license, when it is assigned to a person who has notice of those rights.”

Mrs. Anderson could also transfer the physical possession of the *first* agreement if she wanted to do so. A case in point is *Regan Vapor Co. v. Pacific Gas Engine Co.*, 49 Fed. 68, 72, a San Francisco suit where it was held that an assignment, written across the face of the agreement there in issue, passed only the title to the piece of paper with such rights as had not been previously vested.

The logical conclusion is that the power to revoke the license to defendant remains with Mrs. Anderson, for the reason that it is inextricably tied up with the ownership of the patent and the relationship of licensor and licensee thereunder. The owner of the patent who granted the license should also be the person who can revoke it. The granting of licenses is an incident to patent ownership. If Holmes, as assignee of the licensor’s interest, could revoke a license, the owner

could immediately grant another under the same patent to the same party. Such revocation by Holmes would be an idle act.

In this view of the matter Mrs. Anderson is a necessary party to any notice of revocation to defendant under the terms of the *first* agreement, and since she has not revoked it defendant is still a licensee thereunder.

4. It is settled law that a license under a patent is a personal privilege which cannot be assigned by a licensee unless it contains words expressly conferring the power to sub-license or assign. It is said in *Waterman v. Shipman*, 55 Fed. 982, 986:

“No license is assignable by the licensee to another unless it contains words which show that it was intended to be assignable. *Factory v. Corning*, 14 How. 193; *Rubber Co. v. Goodyear*, 9 Wall. 788; *Adams v. Howard*, 23 Blatchf. 27, 22 Fed. Rep. 656; *Baldwin v. Sibley*, 1 Cliff, 150. The present license contained no such words, and was purely a personal license to the complainant.”

The same rule is laid down by *Haffcke v. Clark*, 50 Fed. 531 at 536, where additional cases are cited.

The reason for this rule is that a license agreement is a contract involving a relationship of personal confidence between licensor and licensee which cannot be assigned. This principle does not apply only to an assignment by act of a party but includes an assignment by operation of law. Thus it has been held that an assignment of a license under a patent does not pass from the licensee to a receiver or administrator by operation of law. *Oliver v. Rumford Chemical Works*, 109 U. S. 76 and *Waterman v. Shipman*, 55

Fed. 982. In the case of *Littlefield v. Perry*, 88 U. S. 205 at page 225 the relationship of patent owner and licensee is referred to as that of trustee and beneficiary.

This brings us to the case of *Brush Electric Co. v. California Electric Light Co.*, 52 Fed. 945, 964, a well considered opinion by the Court of Appeals for the Ninth Circuit which holds that a licensee cannot divide up his territory even though the license has been granted to him and his "assigns." This court held in part:

"Unless there is a manifest intent in the contract of license that the licensee is to have the power to divide up his license into parts, and assign such parts in severalty, no such right exists. Walk. Pat. Sec. 310. As a general rule, it may be said that a license is not divisible. This contract should be construed with reference to this characteristic of this class of rights. Considering this, and I think the term 'assigns,' as used in the license under consideration in this case, must be construed as the right to assign the license as an entirety, and not in parts. This question was considered in the case of *Brooks v. Byam*, 2 Story, 525, and there it was held that the word 'assigns' in a license must be so construed where it did not clearly appear that there was an intention manifested in the contract of license to establish a different rule."

While the books are full of cases which hold that a licensee cannot assign unless the right is expressly given him, and that if given him he cannot divide it even though the license is to him and his "assigns," we are unable to find a reported case with respect to an assignment on the part of the licensor without passing the title to the patent itself. If the owner of

a patent is in fact a trustee for the benefit of a licensee, as stated in the case of *Littlefield v. Perry*, supra, it would seem that the personal confidence should be considered as mutual, and that the trustee should likewise not assign his interest unless with the consent or approval of the beneficiary, and then only when he assigns his entire interest and not merely his interest in the license retaining the ownership of the patent himself.

The *first* agreement contains a provision that says it shall:

“inure to the benefit of and be binding on the heirs, successors and assigns or legal representatives of either of the parties hereto.”

But in another provision of the same agreement it says that defendant:

“the party of the second part shall not sell, assign or transfer this contract or its rights thereunder without the written consent of the party of the first part having been first obtained.”

In view of the law as we find it, the word “assigns” in so far as it relates to the first party, must mean that if Mrs. Anderson can in fact execute an assignment, it is of the patent itself and not the license to the defendant. Her rights may perhaps be assigned in their entirety but cannot be divided. The word “assigns,” therefore, undoubtedly refers to the assignee of the title to the patent and not to the assignee of the license without the patent. The terms of the license are binding on Mrs. Anderson and assignees of the patent. The word “assigns” can not refer to anyone to whom she might assign the license or the power of revocation, if she retains the ownership of the patent.

### Assistance of Equity Court Required.

A license agreement, not expressly limited in duration continues until the patent expires unless terminated by mutual consent. It is not terminated *ipso facto* by a failure on the part of a licensee to perform its conditions. Even if the license has in it a provision that the licensor may cancel it by a written notice, on failure of the licensee to pay royalties, the giving of such a notice in case of a default in payment, does not terminate the license. In all these cases the licensor must resort to a court of equity in order to have the license rescinded by a decree of court. (*Standard Dental Co. v. National Tooth Co.*, 95 Fed. 291; *American Graphophone Co. v. Victor Talking Machine Co.*, 188 Fed. 431; *Foster v. Taylor*, 180 Fed. 994, 996.)

In this latter case, *Foster v. Taylor*, the owner of the patent gave a notice of cancellation for an alleged default in the payment of royalties, and commenced an infringement suit. The court said in part:

“It is a positive shock to my judicial sense as a chancellor to be asked to agree that parties by contract can ride over the judicial power by a bargain of their own in regard to so serious a matter as the one here presented. It would seem that as a matter of public policy courts of equity ought, either by positive or negative action, to relieve persons from the consequences of such an improvident bargain. The case before us portrays one of the kinds of forfeiture which equity ought to and does abhor. It should relieve, if asked to do so, and in such a case as this ought not, by its passivity, to lend its aid to enable the unconscionable one to reap the fruits of his bargaining.”



And in *Standard Dental Co. v. National Tooth Co.*, 95 Fed. 291, 294, it is said that:

“Forfeitures are not favored in equity and the best considered ‘decisions hold that even licenses containing express stipulations for their forfeiture are not, ipso facto, forfeited upon conditions broken, but remain operative and pleadable until rescinded by a court of equity’.” (Citing cases.)

These decisions rest upon general equitable principles and give the defendant an opportunity of being heard before a forfeiture and revocation. From very early times equity relieved against the strict enforcement of the terms of mortgages by creating the doctrine of equity of redemption and thus prevented actual forfeiture of the borrower’s title to land which had been conveyed to the lender as security only.

In the present case the suit is filed on the theory that the defendant’s former exclusive license has been forfeited and revoked and it is therefore an infringer.

No court of equity has passed on the question of whether Mrs. Anderson had or could transfer the power to revoke the exclusive license to defendant. The terms of the license provide for a revocation by written notice from either the owner of the patent to the exclusive licensee, or from the exclusive licensee to the owner. The notice of revocation however was actually given by a third party, who claims certain rights. Should this notice of revocation, *ipso facto*, revoke the defendant’s license and cause a forfeiture, thus giving the third party a right to sue defendant as an infringer; or must such third party resort to a court of equity in order to secure a revocation?

We believe the present case is one of the varieties of forfeiture which equity ought to and does abhor. Neither Mrs. Anderson nor defendant asked for a revocation of the license. Defendant's exclusive license is alleged to be forfeited by reason of the acts of another not a party to the original license agreement. A court of equity in this case, as in the other cases cited, should first pass upon this purported revocation and forfeiture, made contrary to the terms of the license, and by another not contemplated by the parties, before such license is considered as forfeited and terminated.

If equity will first hear the plea of a licensee who has failed to pay his royalties, even though a notice of revocation has been given in accordance with the license, will not a court of equity likewise first hear the plea of a grantee with a vested right who has performed its part of the agreement, when a notice of revocation, assigning no reason whatever, has been given contrary to the express provision of such agreement. In this case a method of revocation was provided for the benefit of the patent owner and the exclusive licensee. If the licensee did not use reasonable efforts to sell the Anderson type of bed or failed to pay the stipulated royalties, then such licensor could, in a proper manner, secure a revocation of the license. If, on the other hand, the licensor permitted anyone to infringe the patent so that the licensee might be considered as evicted or if the licensee wanted to go out of business, then such licensee could secure a revocation of the agreement. This revocation clause was inserted for the benefit of the licensor and licensee

*only*, and that benefit is now being usurped by a stranger to the license while the relationship of licensor and exclusive licensee *still exists* between the original parties to the license agreement.

#### Jurisdiction of This Court.

In order to determine the question of whether or not defendant has been ousted by Holmes and its license forfeited, the matter should have been presented to a court of equity having jurisdiction. Instead, Holmes has assumed that the defendant's license is at an end and this infringement suit has been filed.

In this case the primary question to be determined, namely, the construction and revocation of certain agreements, does not arise under the patent laws of the United States. It relates to the law of contracts. The question of infringement is dependent entirely upon the language and construction of the *first* and *second* agreements. Here there is no diversity of citizenship and the federal court is without jurisdiction except in a suit brought under the patent laws.

In *Mullen v. Bowers*, 102 Fed. 494, 501, this court has said:

“In the present case no question is presented as to the validity of any of the appellees' patents. There is no question in the case that involves the construction of any act of congress in relation to the patent laws. All the cases hold, where the question is discussed, that suits growing out of contracts made in relation to patent rights are governed by the general principles of law and equity, and not by the patent laws, and are triable in the state courts, and that the rights of the patentee under the patent laws of the United States must be directly, and not collaterally,

brought in issue to give the United States courts jurisdiction. 'The decree of the circuit court is reversed, and cause remanded, with instructions to dismiss the bill.'

In the *McMullen* case as on this appeal, the validity of the patent sued on is not attacked. In that case as in this case the question of infringement depends upon the construction of certain agreements. Other cases on this point are *Standard Dental Co. v. National Tooth Co.*, 95 Fed. 291, and *American Graphophone Co. v. Victor Talking Machine Co.*, 188 Fed. 428.

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## II.

### PLAINTIFFS CANNOT MAINTAIN SUIT.

The preceding contention was that the power of revoking defendant's license had not and could not be assigned to Holmes by virtue of the *second* agreement and that therefore the attempted notice of revocation by Holmes was ineffectual. But for the purpose of this argument let us assume that Holmes could and did revoke defendant's license. By what authority was this suit brought and why are Holmes and Marshall & Stearns parties plaintiffs? Whatever other doubts there may be in this case one thing is certain. The Holmes Bed Manufacturing Co., a copartnership and Marshall & Stearns Co., have and each has at most only a *simple non-exclusive* license under the Anderson patent. It is established patent law that such a licensee cannot maintain a patent infringement suit. If these two plaintiffs have any rights at all in the alleged former exclusive territory of defendant, they

secured such rights under the *second* agreement, for it is under the terms of this agreement that the attempt has been made to revoke defendant's license and it is also under this agreement that the Holmes Bed Manufacturing Co. and Marshall & Stearns rights must accrue.

The agreement between Mrs. Anderson and Holmes cannot be considered a grant. It does not fall within the three classifications in *Waterman v. Makenzie*, 138 U. S. 252. It does not give Holmes an exclusive right. It is merely a license.

Before referring to the specific facts of this case we should like to consider generally the law with respect to licenses under patents, and the right of licensees to maintain suits.

#### **Non-exclusive Licensee Cannot Sue.**

A suit may be maintained for the infringement of a patent in the name of the party interested either as patentee, assignee or grantee. This is the provision of Sec. 4919 R. S. U. S. An exclusive licensee for a particular territory may bring an infringement suit for he is denied to be a *grantee*. No provision however is made by the statute for a *non-exclusive* licensee to bring a suit.

An *exclusive* licensee for a particular territory may join with a patentee in bringing a suit to restrain infringement of a patent in that territory. This is because there are or can be no other licensees in that territory and the exclusive licensee enjoys a monopoly.

A *non-exclusive* licensee for a particular territory cannot join with a patentee in bringing a suit to re-

strain infringement of a patent in that territory. This is because he has only a simple license and the patentee may grant other licenses in the same territory. A non-exclusive licensee has no monopoly in any territory.

The distinction is clearly stated in *Blair v. Lippincott Glass Co.*, 52 Fed. 226, 227, as follows:

“It has been uniformly held that a patentee and an exclusive licensee may join in bringing a bill to restrain an infringement of the patent right. The reason is that the exclusive licensee either owns the monopoly, or an undivided interest therein, within the territory specified, so that such license is tantamount to an assignment. It is different with a simple licensee. He has no exclusive right in any particular territory. The patentee may grant licenses at will to others. A simple license amounts merely to a waiver by the patentee of his right to the exclusive enjoyment of his monopoly in favor of such licensee. He acquires no exclusive right in the monopoly, within any specified territory. The patentee may, without infringing the rights of a simple licensee, grant licenses to others, or, if the patentee chooses, he may permit others to enjoy the patent right without license. If the patentee chooses to permit others to practice his invention without license, the simple licensee has no legal ground for complaint or interference. *Sewing-Mach. Co. v. Sloat*, 2 Fish. Pat. Cas. 112; *Wyeth v. Stone*, 1 Story, 275; *Gayler v. Wilder*, 10 How. 477; *Nelson v. McMann*, 16 Blatchf. 139; *Hill v. Whitcomb*, 1 Holmes 317; *Ingalls v. Tice*, 22 O. G. 2160, 14 Fed. Rep. 297; *Birdsell v. Shaliol*, 112 U. S. 485, 5 Sup. Ct. Rep. 244.”

In the case above quoted from, the bill of complaint was filed by the owner of the patent who joined with himself a non-exclusive licensee under

said patent. The defendant demurred on the ground that the bill did not state facts sufficient to constitute a cause of action. The demurrer was sustained, the court holding that a suit in equity for the infringement of a patent cannot be maintained jointly by a patentee and licensee, whose license confers no exclusive monopoly, and that such non-exclusive licensee is neither a necessary nor proper party.

It is said in *Walker on Patents*, page 485:

“But the holder of a license less than exclusive must not join in an action in equity for an infringement of the patent under which he is licensed, even where the infringement consisted in making and selling one form of the patented invention, which the licensee was exclusively licensed to make.”

And in *Gaylor v. Wilder*, 51 U. S. 476 at 494, the court says:

“It is evident that this agreement is not an assignment of an undivided interest in the whole patent, nor the assignment of an exclusive right to the entire monopoly in the state or city of New York. It is therefore to be regarded as a license only, and under the act of Congress does not enable Herring to maintain an action for an infringement of the patent right. The defendant in error continues the legal owner of the monopoly created by the patent.”

The rule of law is therefore well established that a simple non-exclusive licensee cannot join with the owner of a patent in bringing an infringement suit to restrain infringement of that patent. It would be contrary to Section 4919, R. S. U. S.

Now applying that rule of law to the facts of this case.

### Applying the Rule to the Facts.

By the *first* agreement Mrs. Anderson gave defendant an exclusive license for a specified territory. Five months later and without cancelling this agreement, she made a *second* agreement giving Holmes a non-exclusive license without specifying any territory. This second agreement merely gave Holmes a non-exclusive license in the territory in which Mrs. Anderson had not previously given an exclusive license to defendant. Where two licenses conflict the first will prevail. It is said in *Walker on Patents*, Section 304:

“It follows, that where two licenses conflict, the first must prevail, even though the taker of the second had no notice of the existence of the first; and it also follows that any license will prevail as against the claims of any subsequent assignee or grantee of the patent right involved.” (Citing cases.)

The *second* agreement therefore gave to plaintiffs Holmes and to Marshall & Stearns, who derives any rights it has through a sub-license from Holmes, merely a non-exclusive license throughout the United States except the States of California (approximately north of Tehachapi), Oregon, Washington and Idaho. In this excepted territory defendant had an outstanding previous exclusive license. The *second* agreement could not give Holmes rights in this excepted territory for the reason that Mrs. Anderson did not at that time have them to give. She had previously granted an exclusive license to defendant. If therefore the exclusive license to defendant was still valid and unrevoked, Holmes and Marshall & Stearns have no rights



whatever in the former territory of defendant and of course cannot maintain this suit.

But let us assume that the *first* agreement has been revoked and therefore defendant is no longer a licensee. What rights then have Holmes and its sub-licensee Marshall & Stearns in the former exclusive territory of defendant? There are only two possible answers to this question.

(1) They have no rights whatsoever because the *second* agreement gave them only a license in the territory which Mrs. Anderson had at her disposal and in which she had not theretofore given an exclusive license. At the time the *second* agreement was made Mrs. Anderson could not give any license to Holmes in the territory exclusively given to defendant and therefore this territory is not included and could not be included in the *second* agreement.

(2) They have merely a non-exclusive license because that is all that the *second* agreement gave them in any territory. If the agreement gave them any rights whatever in the former exclusive territory of the defendant, it is because it gave Holmes and its sub-licensees a non-exclusive license as soon as the previous exclusive license to defendant was revoked. In other words the *second* agreement gave Holmes only a non-exclusive license throughout the entire United States and this became effective in the former territory of defendant, as soon as the defendant's previous license was revoked.

It therefore can be said in either view of the matter, that the *most* Holmes has in Northern California

and the alleged former territory of defendant is a non-exclusive license. From the authorities already cited this does not enable Holmes to maintain a suit in equity for the infringement of a patent.

#### **Sub-licensee Cannot Maintain Suit.**

Marshall & Stearns, one of the other plaintiffs, is merely a sub-licensee under Holmes. The license agreement is in evidence as Plaintiff's Exhibit 21 and printed at page .viii. of the appendix of this brief. It purports to be an exclusive license given by Holmes to Marshall & Stearns but under well established law, Holmes could give no greater rights than it possessed. If Holmes had merely a non-exclusive license throughout the United States it is obvious it could not grant to Marshall & Stearns an exclusive license in Northern California. Whatever the language is in this agreement, as a matter of law, Marshall & Stearns has only a non-exclusive license, for that is all that Holmes had to give. Under the authorities heretofore cited Marshall & Stearns likewise cannot maintain this suit.

But there is an additional reason why Marshall & Stearns cannot maintain this suit. It is established patent law that a non-exclusive licensee cannot grant a sub-license thereunder. In other words Holmes cannot divide up its territory and grant to Marshall & Stearns a sub-license in a portion of that territory. There is nothing in the *second* agreement which enables Holmes to grant sub-licenses. The license is not to Holmes and its sub-licensees or assigns.

There can be no dispute about the law in this respect. *Walker on Patents*, Section 310, reads in part as follows:

“Section 310. No license is assignable by the license to another, unless it contains words which show that it was intended to be assignable \* \* \*

Assignable licenses are assignable only in their entirety; unless they expressly or impliedly authorize this assignment in parts, and to a plurality of persons.”

In the case of *Brush Electric v. California Electric*, 52 Fed. 945 (Ninth Circuit), the rule is correctly stated in the syllabus as follows:

“A licensee cannot divide up his license and assign to third parties all his rights in certain portions of his territory, unless a manifest intent to confer such rights appears in the contract of license; and such intent cannot be inferred merely from the grant to him and his ‘assigns’.”

See also *Waterman v. Shipman*, 55 Fed. 982 and cases therein cited.

If then neither Holmes nor Marshall & Stearns can maintain this suit because the broadest rights either or both can have in this territory, is that of a non-exclusive license, the only plaintiff remaining is Mrs. Anderson, the owner of the legal title to the patent in suit.

#### **Mrs. Anderson Cannot Maintain This Suit.**

Mrs. Anderson is merely a nominal party plaintiff and the suit was brought without her consent and against her will. The theory of the bill of complaint, although contradicted by the agreements in evidence, is that both Holmes and Marshall & Stearns are exclusive licensees. No cause of action therefore is stated whereby Mrs. Anderson alone, as the owner of the legal title, can maintain this suit. According to

the bill, it is Holmes and Marshall & Stearns who are the real parties in interest.

Furthermore Mrs. Anderson has never revoked her license to defendant. As between her and defendant there is still a valid and existing license and defendant cannot be sued as an infringer.

But for the purposes of this argument let us assume that Mrs. Anderson alone can maintain this suit and that Holmes and Marshall & Stearns, while they are only non-exclusive licensees, may still be proper although not necessary parties. Does that give plaintiffs a sufficient right and title to bring this suit? No it does not.

The bill of complaint does not state a valid cause of action in equity on behalf of Mrs. Anderson. It is the injunctive feature that makes this an equity suit and Mrs. Anderson according to the bill is not entitled to an injunction. She is merely a nominal party plaintiff. There is a defect of parties plaintiff. Paragraph 15 of the answer, in referring to Holmes and Marshall & Stearns alleges that "said plaintiffs and each of them are improper parties plaintiffs to this suit". In the case of *Blair v. Lippincott Glass Co.*, 52 Fed. 227, based upon sound reason and never overruled, the court held that a bill of complaint in which the owner of the patent and a non-exclusive licensee were joined as parties plaintiff did not state a cause of action and should be dismissed. It was said in that case:

"The complaint being a joint one by two parties, one of whom has no interest, it follows that the demurrer must be sustained. When two

or more plaintiffs unite in bringing a joint action, and the facts stated do not show a joint cause of action in them, a demurrer will lie upon the ground that the complaint does not state facts sufficient to constitute a cause of action." (Citing a case.)

Furthermore, Equity Rule 26 would seem to require, when two or more plaintiffs file a suit, that the cause of action therein stated *must* be joint. In the present case the cause of action is not joint. Holmes and Marshall & Stearns have no interest whatever in the subject matter of the suit.

#### **Agreement Free From Doubt.**

The *second* agreement here in evidence conclusively shows that Holmes is merely a simple and non-exclusive licensee, whereas the bill of complaint alleges that Holmes is an exclusive licensee. This seems to be one of the crucial points of this case, although a reading of this agreement leaves the matter free from doubt. There is no oral evidence in the record which in any way tends to change or modify the agreement. Plaintiffs' counsel entirely ignored the *second* agreement upon which plaintiffs' entire right to bring this suit must depend. In determining this point it is not necessary to consider the rights of Marshall & Stearns for such rights are only derived through Holmes.

If Holmes has only a non-exclusive license, as we contend, this suit must fail and the bill of complaint should be dismissed. Let us therefore again consider this *second* agreement.

By its terms Mrs. Anderson agrees to sell to Holmes the patent here in suit, the purchase price to be paid

in eight annual installments. Mrs. Anderson retains the title to the patent until the payment of the last installment in the year 1930, whereupon the title vests in Holmes, the purchaser. The agreement contains a condition subsequent which provides that in the event of a default in the payment of any installment, Mrs. Anderson upon the giving of a certain notice, may revoke the agreement and any moneys theretofore paid by Holmes shall be forfeited and Mrs. Anderson may retain the same as liquidated damages. It was the clear intention of the parties that the title to the patent should vest in Holmes, if at all, in the year 1930 and not before.

In *Dueber Watch Case Mfg. Co. v. Fahys Watch Case Co.*, 45 Fed. 697, it is said:

“A suit for infringement of letters patent cannot be maintained where it appears that the complainant has not the legal title to any of the patents, but has merely the defendant’s contract to convey them; and complainant’s position is not strengthened by a decree in his favor in another suit brought to compel a conveyance of the patents by the defendant, or by the fact that the conveyance had been executed and delivered to the clerk in escrow, which decree and conveyance were both suspended by appeal and supersedeas.”

During the period of time in which the installments are paid, that is to say, between April 15, 1921, to January 1, 1930, Holmes has a simple, non-exclusive license under the patent, which license may be forfeited at any time on the failure of Holmes to make the installment payments as agreed. This non-exclusive license paragraph in the agreement reads as follows:

“It is further provided however, that during the life of the agreement and pending any cancellation or sooner termination thereof, either by default or otherwise, the said parties of the second part (Holmes) shall have the right, and may operate, manufacture, sell and distribute and otherwise exploit and distribute said patents and said improvements made thereunder.”

Language could not be plainer. Holmes has no “exclusive” license until the title to the patent vests in Holmes on the payment of the last installment.

Here the writing is in evidence. It is unambiguous and expresses the final agreement of the parties. No parole evidence was introduced in this case to in any way explain or attempt to vary its terms. No parole evidence could be introduced for this is not a suit to reform a contract. As stated in the bill of complaint, the grounds upon which the court’s jurisdiction depends is that it is a suit in equity arising under the patent laws of the United States. There is no diversity of citizenship which would enable a Federal court to reform a contract. We submit, in this suit the court must take the agreement as it finds it. The clear, unambiguous language of the agreement gives Holmes only a simple, non-exclusive license, which by its terms and under established law cannot be assigned in whole or in part, and which license is subject to termination on the failure of Holmes to pay installments.

The construction of license agreements is referred to in *Hopkins on Patents*, page 95, in part of which the language of the case of *Illingworth v. Spaulding*, 43 Fed. 827-829, is adopted:

“There is nothing in the nature of a license in writing to place it outside the well-known rules of

construction which are applicable to other contracts in writing. The writing itself is considered the ample and conclusive evidence of the final agreement of the parties thereto, and parol testimony to vary its terms is rigidly excluded. It is not the province of the court to make new contracts for parties, at the whim of one or the other. Rather it is the duty of the court to enforce literally the contract as it appears, unless indeed its unconscionable character or conditions, or its fraudulent inception, or its evidence of the mutual mistake of the contracting parties, is so clear as to justify an appeal to the conscience of a court of equity. \* \* \* It will not do to ask the court to so construe a writing that doubt may thereby be incorporated between its lines. Words are to be taken in their usual sense and significance."

But there is one circumstance which makes this matter conclusive, and should not be disregarded. The paragraph of the agreement in question *must* mean that Holmes receives a non-exclusive license. If it is intended to cover the entire territory of the United States that is all Mrs. Anderson had to give. She *could not have intended* to give Holmes an exclusive license inside as well as outside of defendant's previous territory. Mrs. Anderson at the time she made the *second* agreement did not have the power to grant an exclusive license in defendant's territory. She had already given an exclusive license to defendant which had not then been revoked.

The conclusion is that the second agreement means exactly what it says. Holmes has "the right" only, not the "exclusive" right under said patent. The word "exclusive" cannot be read into the agreement because at the time the agreement was made both parties



thereto knew that Mrs. Anderson had not the power to give an "exclusive" right and license throughout the United States, for she had previously granted an exclusive right in a portion thereof to defendant.

We submit this court should not interpret the *second* agreement as giving Holmes any exclusive license. A mere insertion of the word "exclusive" before "right" is inconsistent because that could not have been the intention of the parties. Besides, doing this would be in effect a rewriting of the agreement which a Federal court has no jurisdiction to do. It would be making a new agreement between Mrs. Anderson and Holmes for the purpose of holding defendant, not a party and not responsible for said agreement, an infringer under a patent instead of a licensee. It is said in *Christian v. First National Bank*, 155 Fed. 705, 709:

"The language of the agreement is that of the plaintiff and his co-depositors, and, if there be any doubt as to its true meaning, it is both just and reasonable that it should be construed most strongly against them."

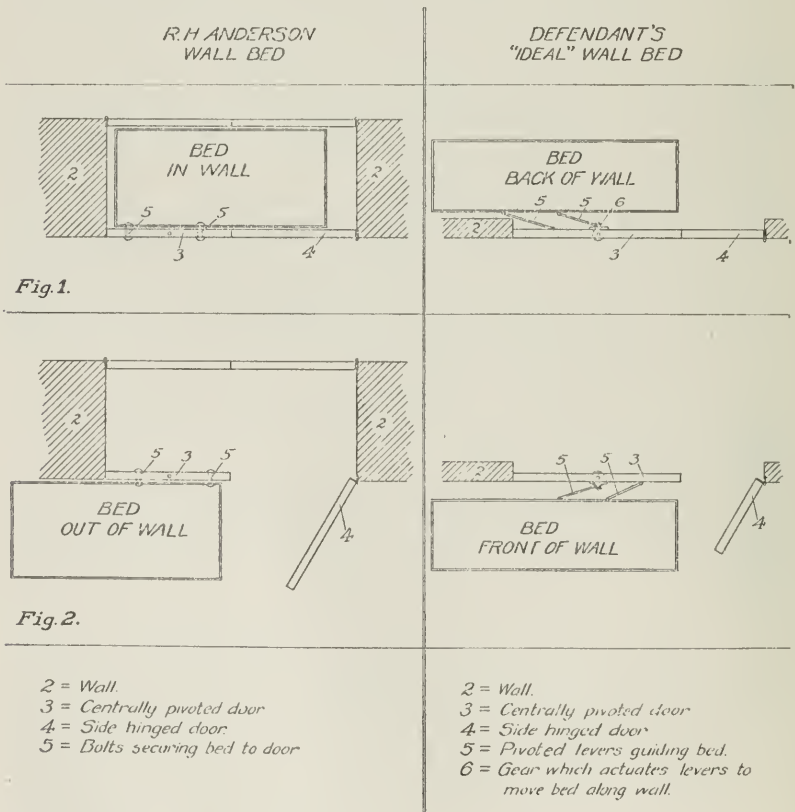
The same rule is stated in *Lock Joint Pipe Co. v. Melber*, 234 Fed. 319.

In this view of the matter the District Court erred when it included in the decree, from which this appeal has been taken, the finding:

"(3) That prior to the commencement of this action the plaintiffs, Verne L. Holmes, Gene C. Holmes and Bondorra Holmes (a co-partnership doing business under the firm name and style of Holmes Bed Manufacturing Company), became vested with the exclusive right of manufacture, sale and/or use under said Anderson patent in

suit throughout the United States and for the unexpired term of said patent; and that the plaintiff, Marshall & Stearns Company, a corporation duly organized and existing under and by virtue of the laws of the State of California, became vested with the exclusive right of manufacture and sale of beds embodying the invention and improvements contained in and covered by said Anderson patent in suit and throughout the Northern District of California."

We submit plaintiffs have no right or title to maintain this suit.



## III.

## “IDEAL” BED DOES NOT INFRINGE.

The defense here made is that under a proper construction of the Anderson patent in suit the defendant's type of bed known as the “Ideal” is not an infringement.

If the defendant's license has been in fact revoked, defendant then is a stranger with respect to the patent and can dispute its validity. This is the rule laid down in *Walker on Patents*, page 371, *Kohn v. Eimer*, 265 Fed. 900 and many other cases.

But defendant is not attacking the validity of the Anderson patent. If defendant is still a licensee it may nevertheless show the prior state of the art and urge as a defense that one of its structures does not infringe the patent. This is established patent law concerning which there can be no dispute.

Defendant has been manufacturing and selling two different types of wall beds. It began the manufacture and sale of the “Duplex” type in 1920 and the “Ideal” in 1921. A model of the “Duplex” bed is in evidence as Defendant's Exhibit “U” and a model of the “Ideal” as Defendant's Exhibit “V”. It is the “Ideal” bed which we are now considering in order to ascertain if it is an infringement of claims one and three of the Anderson patent, these being the only two claims on which plaintiffs rely. The other claims are clearly not infringed. The patent is in evidence as Plaintiffs' Exhibit 1.

On the opposite page for illustrative purposes we have reproduced two views of the Anderson bed and

corresponding views of the defendant's "Ideal" structure.

It will be seen that both the Anderson bed and the "Ideal" bed are concealed behind double doors when not in use, one of these doors being centrally pivoted and termed a panel and the other door side hinged. The primary difference between the Anderson bed and the "Ideal" bed is the manner in which the bed is mounted to the centrally pivoted panel. The Anderson bed has a *fixed* mounting and the position of the bed with respect to the panel is constant. The "Ideal" bed has a *pivotal* mounting and it shifts laterally with respect to the panel. Defendant makes its "Ideal" bed with doors of equal width and also of unequal width as shown in the illustration.

In the Anderson structure there is a passageway into the recess the full width of the side hinged door 4, only when the bed is in the room. In the "Ideal" structure there is a passageway into the closet, the full width of the side hinged door when the bed is *either* in the closet or in the room. In the Anderson structure convenient access to the recess is had when the bed is in the room, while in the "Ideal" structure convenient access to the closet exists at all times, and it makes no difference whether the bed is in the closet or in the room. This is the practical advantage of the "Ideal" bed over the Anderson bed.

The Anderson bed utilizes a recess in a wall whereas the "Ideal" bed utilizes a comparatively narrow wall and can be shifted to the rear of this wall.

The mode of operation of the two beds is different. The Anderson bed, in being turned from its position in the recess to its position in the room, is rotated about the pivot of the panel to which it is fixed. In the "Ideal" bed there is a planetary action of one gear rotating around another gear so as to shift the bed laterally with respect to the panel. The result is that in Anderson the bed extends beyond the opening and overlaps the wall only when it is in its position in the room, whereas in the "Ideal" type, the bed extends beyond the opening and overlaps the wall when it is in its position in either the closet or in the room.

The "Ideal" bed is the invention of Mr. Sinclair, Vice-President of the defendant corporation and for which structure he has a patent application pending. (Record page 51.) The "Ideal" construction is admitted by plaintiffs' expert, Mr. Vale, to amount to invention. (Record page 206.)

By a review of the prior art we will show that every element of the Anderson patent is old except the particular manner in which the bed is mounted to the centrally pivoted panel or door and that its claims must be strictly construed to cover such mounting. The defendant's "Ideal" bed, pivotally mounted to the panel, constitutes a separate and distinct invention and one which the Anderson patent does not cover. The structure, the mode of operation and the result in defendant's bed, each are different from the Anderson bed.

### The Rule of Law Invoked.

We insist that the Anderson invention is a mere improvement over the prior art and is limited to the details of construction shown, or their plain equivalents. Consequently, the claims must receive a narrow construction. When they are so construed the "Ideal" bed does not infringe because it utilizes different details of construction which are not the equivalent of those shown in the Anderson patent.

This brings the case directly within the rule laid down in *Kokomo Fence Machine Co. v. Kitselman*, 189 U. S. 8 and *Cimiotti Unhairing Co. v. American Fur Co.*, 198 U. S. 399, both frequently cited in patent litigation. That rule is expressed as follows:

"Where the patent does not embody a primary invention, but only an improvement on the prior art, the charge of infringement is not sustained if defendant's machines can be differentiated."

The above quotation is from *Cimiotti v. American Fur Co.*, referring with approval to *Kokomo v. Kitselman*. In the *Cimiotti* case the bill alleged infringement of a patent upon a machine for plucking furs which machine utilized a *fixed* stretcher-bar, whereas defendant's machine utilized a *movable* one operated by different mechanism. Applying the rule above stated the court held there was no infringement. In the *Kokomo* case the court found that certain spool carriers in the defendant's machine were so different and were mounted and operated in such different ways from those in the plaintiff's machine, that they could not be interchanged and transferred from one to the other without reorganization. Applying the

rule of law previously stated, the court held that there was no infringement.

This rule of law is substantially repeated in *Stebler v. Porterville Citrus Assn.*, 248 Fed. 927 (Ninth Circuit).

Assuming that the patent in suit is valid, it must be limited to the particular manner in which the bed is mounted on the centrally pivoted panel or door for this is the only novelty in it, over the prior art. Anderson immovably fixes his bed to the panel so that one of the ends of the beds extends beyond said panel approximately one-half of the width of the bed. Defendant's "Ideal" bed is movably or pivotally mounted to the panel in such a manner that it shifts with respect to the face of the panel so that when in the closet one end of the bed extends beyond said panel, whereas when the bed is in the room the other end extends beyond the panel. This movable feature in defendant's bed is due to a planetary action of one gear rotating around another gear, and connecting mechanism.

The combination of a side hinged door and a centrally pivoted panel to which an article of furniture is attached is common to both the Anderson patent and the defendant's "Ideal" bed. This precise combination is also old in the art and found in James Patent No. 825,840 (Exhibit G), later more specifically referred to herein. Both Anderson and defendant have taken this door arrangement of James. Anderson has immovably mounted a bed to the panel so that *one and the same* end of the bed always extends be-

yond the panel. Defendant has movably mounted a bed to the panel so that first *one* end of the bed extends beyond the panel and later, when the panel is turned, the *other* end of the bed extends beyond the panel.

We repeat, the invention in Anderson, if any, is in the particular manner in which the bed is mounted to the panel. Defendant, mounting its bed to the panel in a different manner, does not infringe. The Anderson patent does not and cannot cover every manner of mounting a bed to a centrally pivoted panel.

#### **The Prior Art.**

The wall bed art is not new to this court. It was first considered in *American Disappearing Bed Co. v. Arnaelsteen*, 182 Fed. 324, opinion by Judge Gilbert, and the Holmes patent therein sued on was held void. It was next considered in *Marshall & Stearns Co. et al. v. Murphy Mfg. Co.*, 199 Fed. 772, opinion by Judge Gilbert, where the Jordan patent therein sued on was limited by the prior art and patent office proceedings and held to be not infringed. It was again considered in the case of *Perfection Disappearing Bed. Co. et al. v. Murphy Wall Bed Co.*, 266 Fed. 698, opinion by Judge Gilbert, where the Murphy patent sued on was held valid and infringed. This same Murphy patent was sued on later in the case of *Rip Van Winkle Wall Bed Co. v. Murphy Wall Bed Co. and Marshall & Stearns Co.*, 1 Fed. (2nd) 673, opinion by Judge Morrow, where the patent was held non-infringed.

This latter suit is of importance to the present consideration, for this court there found that the Murphy



patent, filed two weeks after the Anderson patent here in suit, was by no means a pioneer patent, and that the art of constructing disappearing or concealed beds was followed over a period of more than *70 years* during which time more than *800 patents* were issued for inventions on improved structures in such devices. The Anderson patent therefore, if it be a valid patent, is only an improvement in an already crowded art.

It would have served no useful purpose to have introduced in evidence in this case the 800 patents which constitute the prior art. There are also probably several thousand patents relating to other articles of furniture generally in analogous arts. Only representative patents are here in evidence. These disclose that it was old in the art at the time the Anderson patent application was filed, to do the following:

1. To secure a bed or other article of furniture to a door so that such article could swing out of a compartment into a room.

No. 84,466, Arnaud, December 1, 1868. (Deft's. Ex. "A".)

No. 748,563, Ruggles, December 29, 1903. (Deft's. Ex. "D".)

No. 854,171, Merrill, May 21, 1907. (Deft's Ex. "I".)

In the Arnaud patent a folding bed is secured to the hinged door of a receptacle for the purpose of moving the bed out of said receptacle and displacing it laterally with respect to the opening. Over *fifty-seven years ago* the inventor said that his improvement consisted:

“in hinging the door to which the bedstead is attached, to the side of the case, so that a folded bedstead can be swung out in the same manner that an ordinary house-door is opened, thus allowing the bed to be entirely out of the case, and one side of it, and at a right angle with its front, as shown by the drawing, or it may lie in front of the case, and parallel with it, or may be folded entirely back against the wall, if desired.”

2. To secure an article of furniture on a door so that such article could be used on either side of the wall to which the door is hinged.

No. 825,840, James, July 10, 1906. (Deft's Ex. "G".)

No. 892,668, Jordan, July 7, 1908. (Deft's Ex. "L".)

No. 886,622, Merrill, May 5, 1908. (Deft's Ex. "J".)

3. To secure an article of furniture on a centrally pivoted panel or door rather than on a side hinged door.

No. 825,840, James, July 10, 1906. (Deft's Ex. "G".)

No. 886,622, Merrill, May 5, 1908. (Deft's Ex. "J".)

No. 892,668, Jordan, July 7, 1908. (Deft's Ex. "L".)

No. 972,462, Merrill, October 11, 1910. (Deft's Ex. "K".)

4. To provide an auxiliary hinged door adjacent the centrally pivoted door carrying the article of furniture, so as to provide a passageway between two compartments without disturbing the article of furniture.

No. 756,371, James, April 5, 1904. (Deft's Ex. "F".)

No. 825,840, James, July 10, 1906. (Deft's Ex. "G".)

5. To secure a large article of furniture on a centrally pivoted door so that an adjacent door is necessary in order to provide a clearance for the furniture to swing in and out of a room.

No. 756,371, James, April 5, 1904. (Deft's Ex. "F".)

No. 828, 481, James, August 14, 1906. (Deft's. Ex. "H".)

(Figures 2 and 3.)

In James Patent No. 756,371 the auxiliary door 11 is a side hinged door whereas in his patent No. 828,481 it is a sliding door, but in both cases such auxiliary door provides the necessary clearance for swinging the article of furniture mounted on the pivoted door as well as a passageway between the two compartments.

6. To secure a large article of furniture to one door so that it extends over or overlaps the adjacent door.

No. 700,501, James, May 20, 1902. (Deft's. Ex. "E".)

No. 756,371, James, April 5, 1904. (Deft's Ex. "F".)

The James Patent No. 700,501, Figure II shows a large stove 39 which is mounted on a door 33, said stove projecting beyond both sides of the door on which it is mounted; on one side it projects over the adjacent door 34 and on the other side along the wall beyond the door. In patent No. 756,371, Figures 2 and 3, the stove 26, mounted on the door 27 also extends on both sides beyond the width of the door 27 to which it is attached, it being necessary to open the auxiliary door 132 in order to permit the stove to swing out on the door 27 or to provide a passage from one compartment to the other without moving the stove. It, of course, is immaterial what particular

article of furniture is secured to the door as the mode of operation and arrangement is the same whether such article be a stove, a bed, or any other useful furniture. Folding beds secured to doors were well known for 50 years prior to Anderson as is shown in patent No. 84,466, Arnaud, 1868.

**The James Patent No. 825,840 Exhibit "G".**

The patent issued to James, No. 825,840, July 10, 1906, is particularly in point. On the opposite page we have shown the combination of centrally pivoted panel and side hinged door with the stove attached to the back of the panel, this being a portion of Figure 4 of the patent drawing. We have also illustrated the door arrangement shown in the Anderson patent, with the substitution of a bed for a stove.

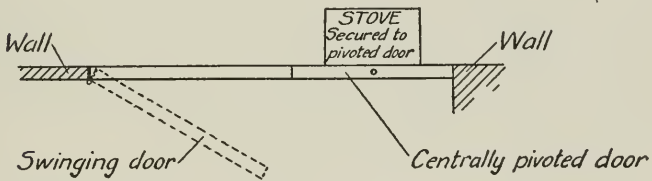
It will be seen that the size of the opening in James is approximately the same size as Anderson. In each case the opening is adapted to be closed by double doors, one of which is centrally pivoted and the other side hinged. In the James patent the centrally pivoted door happens to be at the right of the opening whereas in the Anderson patent it is at the left. But this is immaterial for in practice such doors are commonly reversed. On this point plaintiffs' own witness, Mr. Stearns, says commencing page 45 of the record:

“It is a common thing in my business to reverse the doors and put the hinged door either on the right-hand side of the opening or on the left-hand side of the opening. It is also true of the central pivoted door. We put it on the right-hand side of the opening at times, and at other times on the left-hand side of the opening, according to the arrangement of the room. The room condi-

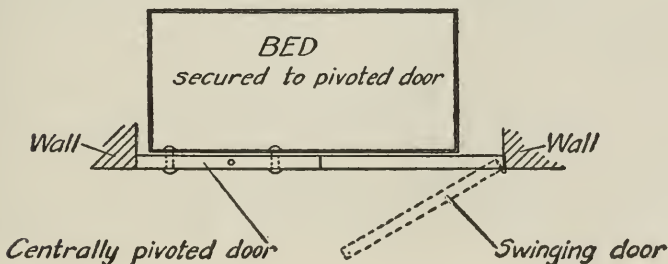
tions which determine whether or not the doors should be one way or the other are according to the way you want the bed. The principle that we work on is to keep the bed from being against the wall. If it is up against the wall you cannot make it up from but one side, and the object is to try and throw the bed nearer the center of the room; that also means that you move less furniture."

In the James patent as in the Anderson patent an article of furniture is attached to the back of the cen-

*W.C. JAMES combination of doors with stove secured to pivoted door.*



*R.H. ANDERSON same doors as JAMES with bed secured to pivoted door.*



trally pivoted panel or door. In James it is a stove whereas in Anderson it is a bed, but beds have been attached to the back of doors since 1868 and to the back of centrally pivoted doors at least since 1907. In this case one is the equivalent of the other.

The new arrangement disclosed in James and not found in the prior art is the pair of doors, one of which is centrally pivoted and the other side hinged, and an article of furniture attached to the centrally pivoted door. Anderson has taken the precise door arrangement of James but has substituted a bed for a stove. Since the bed was wider than the door, Anderson found it necessary to mount the bed to the centrally pivoted door in a certain way. He fixed it to the door so that one of the ends of the bed extended beyond the door. For many years beds had been fixed to centrally pivoted doors in other ways. Jordan patent No. 892,668, Defendant's Exhibit "L", shows one way. Anderson shows another way.

Defendant, in its "Ideal" bed has also taken the precise door arrangement of James but has mounted its bed differently from either that of Anderson or of Jordan. Defendant has *pivotaly* attached its bed to the door so that the bed shifts laterally with respect to such door. First one end of the bed extends beyond the door and then the other end extends beyond the door.

In other words, both Anderson and defendant have taken the door arrangement of James and each has mounted its bed to the centrally pivoted door or panel. One can readily be distinguished from the other. This

brings the case squarely within the rule of the case of *Cimiotti v. American* previously referred to herein.

In James as in Anderson there is a passageway through approximately one-half the size of the opening which can be used without disturbing the article of furniture attached to the centrally pivoted door. In James this passageway exists when the stove is in the receptacle or in the room. In Anderson it only exists when the bed is in the room. In this particular, defendant's "Ideal" construction more closely resembles James than it does Anderson.

To illustrate the very narrow margin of invention that exists in the Anderson patent in suit let us suppose a skilled mechanic was shown a wall having an opening adapted to be closed by a centrally pivoted and a side hinged door with a stove attached to the centrally pivoted door this being the combination shown in James. If the mechanic were asked to remove the stove and substitute a bed so that it could be swung through the opening in the same manner as James, would he experience any difficulty whatever?

*Positively No!* He could not help producing the result. Securing the bed immovably to the back of the centrally pivoted door of James so that it would operate, necessarily produces the Anderson structure.

This question asked of Mr. Vale, plaintiffs' expert, and the answer thereto are significant. (Record page 207.)

"Q. Given a pair of pivoted and swinging doors, as first disclosed by James, and a common double size folding bed, is it not a fact that any hanging of the bed upon the pivoted door so that

it will operate will result in the so-called invention of Anderson?

A. Yes. That is what Anderson did. That is Anderson's invention."

If a sink, such as shown in the James patent drawing, Figure 4, by chance would be in the way, common ordinary sense would tell such mechanic to move it to one side. If a side wall was in the way of the door to which the bed was secured such door could be hung on the opposite side of the opening, as is common practice in the wall bed business. This is apparent from the testimony of Mr. Sinclair (Record page 52) where he says in part:

"We always try to insist on the builder putting the pivoted door on the side of the opening farthest from the side wall so that the bed will be thrown out of the opening and away from the wall, rather than toward it."

By changing the single word "stove" in claim 1 of the James patent to "bed", the Anderson structure would be described exactly. Here is the claim as it reads in James:

"1. The combination of two adjacent apartments, a wall there between provided with an opening, a door hinged in said opening, and a swinging closure pivotally and reversibly mounted adjacent to said door and a stove attached to one side of said swinging closure."

James is the first in the art to disclose the combination of a pivoted and side hinged door with an article of furniture attached to the pivoted door. This accomplished, the substitution of one article of furniture for another does not involve a change of structure or



mode of operation. The invention, if any, must be limited to the precise way that Anderson fixes the bed to the door. Mrs. Anderson and Holmes must have appreciated this when Mrs. Anderson purchased and Holmes took out a license under the James patent, for this very James patent No. 825,840 is included in the *second* agreement.

The conclusion is that if there is any invention in the Anderson patent it is an exceedingly narrow margin, and that the claims here in suit must be strictly construed in view of the prior art. We insist that they must receive a limited and narrow construction because in such event they may be valid. As is said in *Cimiotti v. American Co.*, 198 U. S. 399, at 414:

“\* \* \* where the patent does not embody a primary invention, but only an improvement on the prior art, and defendant’s machines can be differentiated, the charge of infringement is not sustained.”

Giving claims 1 and 3 of the patent sued on such a narrow and limited construction because of the prior state of the art, defendant’s “Ideal” bed is not an infringement.

#### **The Description of the Patent.**

Before analyzing the claims let us consider the description and drawings of the patent itself. Claims should always be construed in the light of the description. Viewing the patent as the analogue of a contract it is the description and not the claims that is the inventor’s contribution to the public. If the description fails to be full and clear such deficiency will

be treated as a failure of consideration as in the case of a contract. (Hopkins, page 96.)

We find from the description that the invention relates to a wall bed suitable for apartment houses and the like which may be concealed in an opening or wall recess when the bed is not in use (lines 8 to 15).

Commencing line 17 the description says:

“The objects of the invention are, to provide a simple, economical and easily operated wall bed, further to provide a bed that will only require a small amount of wall space when closed and that may be used in two different rooms when desired and further requires no springs or weights to facilitate its folding and further that the wall space may be used as a closet from either side while the bed is out for use as well as when it is closed.”

Commencing line 107 the description says:

“It will be readily seen that with this construction and the method of mounting there is provided a simple, economical and easily operated wall bed which may be used on either side of the wall, thus being adapted for two different rooms, that the wall space may be used as a closet from either side when the bed is lowered for use as well as when it is closed; that the method of hanging the bed frame upon the head-board provides a simple construction which thrusts the bed outward when down, thus minimizing the wall space required.”

It is apparent from the drawings, particularly Figures 1 and 2, that the bed, when not in use is positioned *within* a wall recess or opening between two rooms. This recess in the wall is adapted to be closed by two sets of double doors one set leading to each room. Doors “3” and “4” conceal the bed from one room.

Doors "5" and "6" conceal the bed from the other room. The object of this arrangement as stated in the patent is to enable the bed to be used in two different rooms on opposite sides of the wall recess. Figures 1 and 2 of the drawing show how the bed can be lowered in one room. Figures 3 and 4 show the bed ready to be lowered in the other room. The model in evidence as Defendant's Exhibit "O" clearly illustrates this arrangement. The headboard of the bed is rigidly mounted to the centrally pivoted door or panel adjacent to one of the rooms, by means of bolts (line 66) and when this centrally pivoted door is turned the bed moves with it in fixed relation thereto.

It will thus be seen that when the bed is in its position in the room adjacent to the doors 3 and 4 it overlaps the wall approximately one-half the width of the bed. When, however, the bed is in the recess or when it is lowered in the other room it does not overlap the wall but is within the opening.

No one can read the description of the Anderson patent without coming to the conclusion that the primary object of the invention was to devise a bed that could be concealed in a wall between two rooms, and so arranged that it could be used in *either* of the *two* room. Such a structure as the "Ideal" bed is not even remotely suggested.

It is therefore essential from the description:

(a) That the bed when not in use be positioned *within* a wall opening or receptacle, so that the bed may be used in two different rooms.

(b) That the head board of the bed frame be *rigidly* mounted to one side of the centrally

pivoted door or panel so that it will turn with the panel in fixed relation thereto and overlap the wall when in one of the rooms.

### The Claims in Suit.

Only claims 1 and 3 are alleged to be infringed. Let us consider these claims in the light of the description to ascertain their scope. In so doing we can interpret the words of the claim by a reference to the description, for every patentee is his own lexicographer and makes his own definitions. (*Wire Wheel Co. v. Budd*, 288 Fed. 308.) He is bound thereby.

In *Fowler & Wolfe v. National Radiator Co.*, 172 Fed. 661, 665, adopting the language of a previous case, the court says:

“To ascertain the meaning of these terms, we must therefore go to the specifications, not for the purpose of importing anything into the claims, but for the purpose of ascertaining what characteristics are attributed in the specifications to the terms therein contained.” (Citing cases.)

In the recently decided case by this court, *Chester N. Weaver v. American Chain Co.*, 9 Fed. (2nd) 372, 382, opinion by Judge Morrow, it was said:

“This specification we must read into the claim, and, being so read, we must hold that the Hoover amended application does not cover the Lyon structure.”

*Claim 1.* This claim is for the combination of certain elements “with a wall provided with an opening therein.” Going back to the description we find that the wall opening is described, commencing line 58, where it is said that it should be a little wider than

the bed and that said opening is enclosed on one side by double doors while on the other side it is enclosed by a centrally pivoted panel and a side hinged door. Lines 8 to 28 of the description likewise determine the character of opening. It is to be in the wall and of sufficient depth that the bed may be concealed *within* the opening and so accessible from two different rooms. The claim therefor calls for a certain combination with an opening of the character described.

The claim also provides for "a head board of a bed-frame *secured* to said panel so that one of its ends extends past said panel". The description says, commencing line 65:

"Upon this panel 3 there is substantially mounted on one side a stationary headboard 8 by means of *bolts* 8a. On the one side the bed extends past the panel about one-half its width."

It is apparent that the word "secured" as used in this claim means rigidly secured by bolts or the like and in such a manner that only *one* side of the bed frame extends beyond the panel. By rigidly securing the bed to the panel in this way it moves with the panel in fixed relation thereto.

*Claim 3.* This claim calls for a certain combination with a "receptacle provided with an opening therein". On reference to the description we find nothing is said about a "receptacle" and it is apparent that the "opening or recess in the wall" mentioned at lines 13 and 14 is intended. The word "receptacle" therefore, for lack of any other description should be considered as synonymous with the wall opening in claim 1.

The claim also provides for "a head board of a bed *firmly* mounted on said pivoted panel" and by a reference to the description, as in the case of the previous claim it is apparent that "firmly" means by bolts or the like so that the head board is immovable with respect to the panel.

The claim further says that the bed passes "into the portion of said receptacle closed by said hinged door". In other words, according to the description the bed when not in use is concealed *within* the wall opening. This is the recess or the receptacle referred to by the claim.

The defendant's "Ideal" bed is not "secured to the panel". Nor is it "firmly mounted to said pivoted panel", so that it is immovably fixed with respect to said panel. The "Ideal" bed is pivotably and movably mounted to said panel and shifts laterally with respect to the face of the panel.

This is a material difference. The Anderson bed could not be operated if it were pivotally mounted to the face of the panel as is defendants. By being firmly mounted on the panel so that it is immovable with respect thereto, the Anderson bed extends laterally beyond the opening and overlaps the wall when on *one* side of the opening. It *cannot* overlap the wall when it is within the opening. On the other hand the pivotal mounting of the "Ideal" bed enables it to extend laterally beyond the opening and overlaps the wall on both sides of the opening.

On this point the testimony of Mr. Bried, defendant's expert, commencing at Record page 117, is as follows:

“Q. According to the drawing and description of the Anderson bed, would it be possible to mount the bed pivotally to the door 3, as in the Ideal type of bed which the defendants make?”

A. In this showing of Anderson it could not be done, because in the Ideal type the bed is displaced laterally with respect to the door. In this mounting of Anderson he shows a limiting hole in the wall, so small that no displacement would be possible. If the Ideal structure were placed in here, it could neither get in nor get out. \* \* \* It could not be displaced this way because it is against the wall, or substantially against it; it could not be displaced the other way, because it would not have clearance to come out. It must be in that particular position. It could be nowhere else in this Anderson patent.”

This is substantially corroborated by plaintiffs' expert Mr. Vale, Record page 205, where he says:

“Q. If you have presented to you a structure such as is shown in Figure 2 of the Anderson patent, could you mount the Ideal type of bed on that structure and make it operate?”

A. Not without modifying the wall 2 \* \* \*. You would have to do what Ideal has done, put on this planetary movement, or its equivalent, which already has been done. \* \* \* First of all, you extend back in here into the wall 2 the distance required to get the lateral offset of the bed with respect to the panel 3, and then provide some means of shifting the head of the bed with respect to the panel 3, such as the Ideal has done.

Q. Would that be within the ordinary skill of a mechanic, or would that be invention?”

A. Invention. I think there are patents on that.”

The particular advantage of the overlapping of the wall on both sides of the opening by the “Ideal” bed

is to laterally displace the bed with respect to the opening and away from the side hinged door so that there is a clear passageway, approximately one-half of the size of the opening, either when the bed is on one side of the wall and in the closet or on the other side of the wall and in the room.

The claims of the patent include as an element "a head board of a bed". In the description, commencing at line 69, page 1, it is said that

"On the head board 8 are substantially pivoted rods 9, one on each side, which extend downward and connect pivotally with the bed frame at 9a. \* \* \* The bed is suspended and swings on rods 9."

Also on page 2, commencing at line 6, it is said

"that the method of hanging the bed frame upon the head board provides a simple construction which thrusts the bed outward when down, thus minimizing the wall space required."

Figure 1 of the drawing illustrates this matter. It will be seen that the head board is designated as "8" whereas the bed frame is "9". In defendant's bed, the head board is *entirely* lacking. Defendant does not use one of the elements of the claims of the Anderson patent. Defendant's "Ideal" bed does not utilize a head board at all. Claim 1 of Anderson requires one end of the head board "to extend past the panel". This is not a part of the "Ideal" bed and in itself avoids patent infringement.

What seems to be the primary feature of the Anderson invention is totally lacking in defendant's structure. The "Ideal" bed has no wall recess inclosed on



one side by one set of doors and on the other side by another set of doors, so that the bed is adapted to be used in two different rooms. Defendant's "Ideal" bed is never *within* the opening, nor even directly in the front or rear of the opening. It is only moved through the opening and its position in the room or in the closet is always to one side of the opening.

Not only does the "Ideal" bed differ structurally from the Anderson bed but the mode of operation is entirely different. In turning from its position in the wall recess to its position in the room the Anderson bed moves about a pivot which is offset with respect to the center of the bed. During its turn the bed is at all times immovably fixed to the door and has no lateral or side shift with respect to the face of such door. The "Ideal" bed has an entirely different manner of operation. In turning from its position in the room it has a shifting motion with respect to the face of the door for the reason that it is pivotally connected thereto and receives a planetary action of one gear rotating around another gear, the bed itself being guided in a definite path of travel by means of an extra link positioned between the bed and the door.

It is said in *Cimiotti v. American*, 198 U. S. 399, 414:

"If the device of the respondents shows a substantially different mode of operation, even though the result of the operation of the machine remains the same, infringement is avoided."  
(Citing cases.)

The rule laid down in *Hopkins on Patents*, page 347 is as follows:

“Where the mode of operation of the alleged infringement is substantially different from that of the patent in suit, infringement does not exist.”

And in the frequently cited case of *Westinghouse v. Boyden Power Brake Co.*, 170 U. S. 537 at page 568, it is said:

“But even if it be conceded that the Boyden device corresponds with the letter of the Westinghouse claims, that does not settle conclusively the question of infringement. We have repeatedly held that a charge of infringement is sometimes made out though the letter of the claims be avoided.” (Citing cases.) “The converse is equally true. The patentee may bring the defendant within the letter of his claims, but if the latter has so far changed the principle of the device that the claims of the patent, literally construed, have ceased to represent his actual invention, he is as little subject to be adjudged an infringer as one who has violated the letter of a statute has to be convicted, when he has done nothing in conflict with its spirit and intent.”

#### No Royalty Paid on “Ideal”.

Defendant has had a license to manufacture and sell wall beds under the patent in suit since December 13, 1920. During all that time it paid royalties only on its “Duplex” beds. No royalty was ever paid for the “Ideal” bed. (Record page 49.) The license which has been termed herein as the *first* agreement does not specify any particular type of bed and the question has never before been presented to a court as to whether the “Ideal” bed comes within the scope of the Anderson patent. If it does, then defendant has had a license to manufacture and sell it since 1920.

If it does not, then defendant never had a license and is required to pay no royalty on the "Ideal" bed.

### Conclusion.

Beds have been brought out of wall openings for over seventy years. Some of these openings in the past have been wider than the beds themselves. Some of them have been narrower. Sometimes one door has been utilized to close such opening so as to conceal the bed when not in use. At other times two doors have been used. The doors of the prior art have been centrally pivoted and side hinged. Even the combination of a centrally pivoted and a side hinged door is old. In this already overcrowded art Anderson has mounted a bed to the back of a door in a manner which we will concede as being slightly different from anything in the prior art. This was because his bed was wider than the door and one end extended past the corresponding side of such door. Defendant, in its "Ideal" bed, has taken the door arrangement and other teachings of the prior art and has mounted its bed still differently from the art in general and Anderson in particular. Its bed, because of unique mechanism, shifts laterally with respect to the door, whereas Anderson's bed remains stationary. Its bed first extends past one side of the door and then past the other side of the door, in a manner never thought of by Anderson and nowhere suggested in his patent. Indeed, it is doubtful if Anderson ever contemplated any other arrangement except to conceal the bed in a wall recess, so as to enable it to be utilized in two different rooms, as, for instance, a bedroom and a

sleeping porch. In all fairness to the public who ultimately pays the patent tribute, as well as to the parties in this suit, must it not be said that the Anderson patent should be limited to what it clearly shows and distinctly describes, instead of broadened to include any and all methods of mounting beds to centrally pivoted doors? We earnestly assert that it should be so limited and that therefore defendant's "Ideal" bed structure is not an infringement.

Dated, San Francisco,  
October 2, 1926.

Respectfully submitted,

A. W. BOYKEN,

*Attorney for Appellant.*

JOHN H. MILLER,  
*Of Counsel.*

(APPENDIX FOLLOWS.)

## **Appendix.**



## Appendix

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### AGREEMENT BETWEEN MRS. ANDERSON AND DEFENDANT TERMED THE FIRST AGREEMENT.

It is mutually agreed by and between RUTH B. ANDERSON of San Diego, California, party of the first part and RIP VAN WINKLE WALL BED CO., a corporation, duly organized and existing under the laws of the State of California and having its principal place of business in Oakland, California, party of the second part, as follows:

WHEREAS, the party of the first part is the owner and the holder of letters patent No. 1,074,592 issued by the United States Patent Office, covering certain improvements upon wall beds, granted to Robert H. Anderson, husband of the party of the first part, under date of September 30, 1913, and later assigned by said Robert H. Anderson to the party of the first part, who is now the owner thereof, and;

WHEREAS the party of the second part is desirous of acquiring an exclusive license to manufacture, use and sell the wall beds, covered by said letters patent in Washington, Oregon, Idaho, Montana, and a portion of the State of California, for a consideration of \$1.00 per bed for each wall bed manufactured and sold.

Now, THEREFORE, it is mutually agreed between the parties hereto that the party of the first part will and does hereby grant to the party of the second part the exclusive right to manufacture wall beds, covered by said letters patent in the States of Washington, Ore-

gon, Idaho and Montana and the State of California, excepting the counties of Monterey, San Benito, Merced, Mariposa, Tuolumne, Mono, Madera, Fresno, Tulare, Kings, Kern, San Luis Obispo, Santa Barbara, Ventura, Los Angeles, Inyo, San Bernardino, Orange, Riverside, San Diego and Imperial; and no other place or places.

The said party of the second part is to pay to the said party of the first part, as hereinbefore set forth, the sum of one (\$1.00) dollar for each and every of such wall beds covered by said letters patent, manufactured and sold by the said party of the second part.

IT IS FURTHER AGREED and understood between the parties hereto that the license to be paid each month shall not be less than ten (\$10.00) dollars for each month.

IT IS FURTHER AGREED and understood that the said party of the second part shall make all reasonable efforts to introduce and sell the beds described and covered by said letters patent and to push the sale of said beds in said territory ahead of any other beds that it is marketing and that said party of the second part will keep an accurate account of all such beds so manufactured and sold.

IT IS FURTHER AGREED and understood between the parties hereto that the party of the second part shall make a full and true return under oath to the party of the first part of all such beds so manufactured and sold by it and receipts of sales, each and every month.

IT IS FURTHER AGREED and understood between the parties hereto that the party of the second part shall



pay to the party of the first part all royalties to become due hereunder, on or before the 10th day of each and every month for all beds sold during the prior month.

IT IS FURTHER AGREED and understood between the parties hereto that the party of the second part shall not sell, assign or transfer this contract or its rights thereunder without the written consent of the party of the first part having been first obtained.

IT IS FURTHER AGREED and understood between the parties hereto that this agreement may be revoked by either party hereto six months after written notice of revocation shall have been given to the other party, by either of said parties.

IT IS FURTHER AGREED and understood between the parties hereto that each and all of the terms of this contract shall inure to the benefit of and be binding on the heirs, successors, assigns or legal representatives of either of the parties hereto.

Signed and executed in duplicate this 13th day of December, 1920.

RUTH B. ANDERSON,

Party of the First Part.

RIP VAN WINKLE WALL BED CO.,

By .....,

President,

(Seal)

By F. L. HUMPHREY,

Secretary,

Party of the Second Part.

In the presence of A. B. BOWMAN.

AGREEMENT BETWEEN MRS. ANDERSON AND HOLMES  
TERMED SECOND AGREEMENT.

(Exhibit N.)

THIS AGREEMENT, made and entered into in duplicate this 15th day of April, 1921, at and within the City and County of Los Angeles, State of California, by and between RUTH B. ANDERSON, and Ruth B. Anderson as Assignee of ROBERT H. ANDERSON and Ruth B. Anderson as Assignee of W. C. JAMES and ROBERT H. ANDERSON and Robert H. Anderson and Ruth B. Anderson as husband and wife, as parties of the first part—and HOLMES BED MANUFACTURING COMPANY, a co-partnership doing business under the fictitious firm name and style of the HOLMES BED MANUFACTURING COMPANY consisting of VERNE L. HOLMES and BONDORRA HOLMES, parties of the second part.

WITNESSETH: THAT WHEREAS, the said Ruth B. Anderson is the assignee and holders of Letters Patent issued by the United States Patent Office, being Serial No. 1074592 of date September 30, 1913, which said Letters Patent were originally issued to Robert H. Anderson, and which said Letters Patent cover a valuable improvement upon doors and recess for disappearing beds, and

WHEREAS, the said Ruth B. Anderson is the assignee of certain Letters Patent issued by the United States Patent Office under Serial No. 825,840, and under date of July 10, 1906, issued to W. C. James, covering certain valuable improvements consisting of a pair of doors one with hinge and the other pivoted in the center, with a gas stove secured to said door, and

WHEREAS, the said parties of the second part are desirous of securing an assignment and all rights accruing to said patents or said assignees and to the said Robert H. Anderson and Ruth B. Anderson, either separately or jointly, and are desirous of securing said rights by purchase;

NOW, THEREFORE, IT IS AGREED between the parties hereto as follows, to wit:

Said parties of the second part do hereby agree to purchase said patents and all rights thereunder, and the said parties of the first part do hereby agree to sell the same for the sum of twenty thousand and no/100 (\$20,000.00) dollars, payable in gold coin of the United States of America, in the following sums and manner, to-wit: the sum of two hundred and no/100 (\$200.00) dollars, cash upon the execution of this agreement, the receipt whereof is hereby acknowledged, and the further sum of eighteen hundred and no/100 (\$1800.00) dollars to be paid within five (5) days after the deposit by the said parties of the first part of duly executed assignments and agreements of transfer covering said Letters Patent with the CITIZENS SAVINGS BANK OF SAN DIEGO and the balance thereof, to be paid in the following sums and manner, to-wit:

January 1, 1922	\$1,000.00
January 1, 1923	1,500.00
January 1, 1924	2,000.00
January 1, 1925	2,000.00
January 1, 1926	2,000.00
January 1, 1927	2,000.00
January 1, 1928	2,000.00

January 1, 1929	2,500.00
January 1, 1930	3,000.00

IT IS FURTHER AGREED THAT said assignments so to be deposited as aforesaid shall remain in escrow with the said Citizens Savings Bank of San Diego until the said sum of twenty thousand and no/100 (\$20,000.00) dollars in the manner and amounts as above recited, shall have been fully paid, when said assignments shall be delivered to the said parties of the second part, and may be then be recorded of record in the office of the Commissioner of Patents of the United States of America.

IT IS FURTHER PROVIDED, however, that during the life of the agreement, and pending any cancellation or sooner termination thereof, either by default or otherwise, the said parties of the second part shall have the right, and may, operate, manufacture, sell and distribute and otherwise exploit and distribute said patents and said improvements made thereunder.

IT IS FURTHER AGREED between the parties hereto that should the said party of the first part secure Letters Patent on said device in foreign countries, the said parties of the first part, immediately upon the issuance of such Letters Patent or prior thereto if legally possible, shall grant to the parties of the second part a like selling right as is herein granted to such parties of the second part, for the sale of said devices in any such foreign country or countries.

IT IS FURTHER UNDERSTOOD that should the parties of the first part apply for further Letters Patent,

covering any improvement or improvements, to the said devices, then the same shall immediately become subject to the terms hereof, and the parties of the second part shall be entitled to the use and benefit thereof.

IT IS FURTHER PROVIDED THAT ALL CONTRACTS heretofore entered into by the said parties of the first part, their agents, representatives, employees, covering the use, control or operation of said patents, or either thereof, shall upon the execution hereof, inure to the benefit of, and become the sole property of the said parties of the second part.

IT IS HEREBY FURTHER PROVIDED that each and every of those certain royalty-contracts heretofore entered into by and between the said parties of the first part or either or any thereof, and the said parties of the second part, or either or any thereof, shall, and they do hereby become null, void, cancelled and of no effect.

IT IS FURTHER PROVIDED that in the event of a default by the said parties of the second part in the payment of any of the payments hereinabove provided for, then and in event the said parties of the first part, within thirty (30) days after the said default shall have occurred, cancel and terminate this contract and shall declare any and all moneys theretofore paid hereunder forfeited and shall retain the same as for liquidated damages, and in full of any and claims arising or to arise hereunder.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year hereinabove first written.

(Signed) RUTH B. ANDERSON

In person & as assignee

Parties of the of Robert H. Anderson & as  
First Part Assignee of W. C. James.

(Signed) RUTH B. ANDERSON

(Signed) ROBERT H. ANDERSON

HOLMES BED MANUFACTURING COMPANY

By (Signed) VERNE L. HOLMES

Parties of the (Signed) GENE C. HOLMES

Second Part. (Signed) BONDORRA HOLMES

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**AGREEMENT BETWEEN HOLMES AND MARSHALL & STEARNS  
(EXHIBIT 21).**

THIS AGREEMENT, made and entered into this 9th day of March, 1925, by and between HOLMES BED MANUFACTURING COMPANY, a co-partnership, consisting of VERNE L. HOLMES, GENE C. HOLMES and BONDORRA HOLMES, all of Los Angeles, California, party of the first part, and MARSHALL & STEARNS COMPANY, a corporation, organized under the laws of the State of California, and having a place of business in the City and County of San Francisco, State of California, party of the second part;

WHEREAS, the party of the first part is the equitable owner of all right, title, and interest in and to Letters Patent of the United States, Number 1,074,592, issued

September 30, 1913, to Robert H. Anderson, for improvements in wall beds, such equitable ownership being created by virtue of an executory contract, dated April 15th, 1921, entered into by and between said party of the first part and one Ruth B. Anderson, owner of the legal title of said Anderson Patent; and,

WHEREAS, the party of the second part is desirous of acquiring the sole right and license to manufacture and/or sell beds embodying said invention and improvements, in and throughout the territory hereinafter designated;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter expressed, IT IS AGREED AS FOLLOWS:

1. The party of the first part hereby grants to the party of the second part, its successors and assigns, the exclusive right and license to manufacture and/or sell beds embodying said invention and improvements, in and throughout the following named territory, to-wit:

That portion of the State of California, northerly of a line bounded on the north by the Counties of San Luis Obispo, Fresno and Inyo, in said State and not elsewhere.

2. The License herein granted to the party of the second part is to take effect upon the taking effect of revocation of the contract now outstanding between the said parties of the first part, as assignees of Ruth B. Anderson and Rip Van Winkle Wall Bed Com-

pany, a corporation, of date December 13th, 1920, and of which contract notice of written revocation, as provided for therein, has this day been given, and this license is to endure for the remainder of the life of said Letters Patent, subject to reservations and exceptions hereinafter contained.

3. In consideration of the foregoing license the party of the second part hereby agrees to pay to the parties of the first part a royalty of one (\$1.00) dollar, per bed, on all beds manufactured or sold hereunder, and embodying the invention or inventions claimed in said Letters Patent, but in no manner shall said royalty be a sum of less than fifteen hundred (\$1500.00) dollars, per year, during the life of this agreement regardless of the number of beds manufactured, and/or sold in said territory; the sum of three hundred seventy-five (\$375.00) dollars to become due and payable quarterly, together with any additional royalties which may become due hereunder in any of said quarterly periods; the first payment due hereunder to become due three (3) months from and after the date of the taking effect of this license; the computation of the minimum royalty due in any one year to be adjusted in the fourth quarterly payment of that year.

4. It is further provided that in the event of the failure, refusal, or neglect, of the said party of the second part to make any or all of the payments hereinabove provided for, then, and in that event, the said parties of the first part may and shall give to the



party of the second part a notice, in writing, of said default, and the said party of the second part shall have thirty (30) days within which to repair said default, and at the expiration of said thirty (30) days if said default shall have not been repaired, then, and in that event, this contract shall be null and void.

5. The party of the first part hereby covenants and warrants with the said party of the second part that it has full right and authority to grant the said exclusive license excepting only to all of the terms and conditions of that certain contract heretofore referred to as of date April 15th, 1921, commonly called the Anderson Contract, and to which reference is hereby made, and the same by such reference is hereby incorporated herein, and subject to the litigation now pending in reference thereto, and that it will commit no acts, nor suffer the commission of any acts, in contravention or derogation of the rights herein attempted to be conferred.

6. It is further provided, that in the event the party of the second part herein shall institute any litigation, or be made party defendant to any litigation concerning the said patent, in any manner, then, and in that event, said action, or actions, shall be prosecuted or defended at the sole cost of the said party of the second part.

THIS AGREEMENT shall be binding on the heirs, successors, assigns, or legal representatives of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the day and year first above written.

HOLMES BED MANUFACTURING COMPANY,  
(a co-partnership),  
Party of the First Part,

(Seal) By (signed) GENE C. HOLMES,  
A. Member of the Firm.

MARSHALL & STEARNS COMPANY,  
(a corporation),  
Party of the Second Part,  
By (signed) H. B. STEARNS,  
President.

In Presence of:

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